



U.S. Department
of Transportation
**Federal Transit
Administration**

REGION IX
Arizona, California,
Hawaii, Nevada, Guam,
American Samoa,
Northern Mariana Islands

90 7th Street
Suite 15-300
San Francisco, CA 94103-6701
(415) 734-9490
(415) 734-9489 (fax)

Mr. Andrew S. Robbins
Executive Director and Chief Executive Officer
Honolulu Authority for Rapid Transportation
1009 Alakea Street, Suite 1700
Honolulu, HI 96813

MAR 29 2019

Re: FTA Review of HART Revised Recover Plan

Dear Mr. Robbins:

Thank you for your submission of a revised Recovery Plan dated November 19, 2018, for the Honolulu Rail Project in Honolulu, HI (Project). The Honolulu Authority for Rapid Transportation (HART), the project sponsor, made progress from its initial Recovery Plan submitted in April 2017, when there were concerns about HART's ability to complete the project.

Significantly, the November 2018 Recovery Plan estimates a revised total project cost of \$9.188 billion, which includes financing costs and a revised revenue service date of September 2026. The Federal Transit Administration (FTA) finds both estimates to be reasonable. Further, the State of Hawaii and the City and County of Honolulu have committed additional funding through the General Excise Tax (GET), the Transient Accommodations Tax (TAT), and the City Subsidy to finance the revised estimated project cost. However, before FTA approves the Recovery Plan, two areas of concern within the financial plan section must be revised.

First, FTA remains concerned about the progress of the procurement for the City Center Guideway and Stations and Pearl Highlands Garage and Transit Center (the "City Center procurement"), which is the largest remaining risk of the completion of the project. In October 2017, HART's procurement schedule advised that a decision on whether to proceed with a Public Private Partnership (P3) would be made by March 2018. This decision did not occur, however, until September 27, 2018, when HART's Board of Directors voted to proceed with a Design-Build-Finance-Operate-Maintain (DBFOM) procurement strategy for the City Center segment. Since then, the City Center procurement schedule has continued to slip, with contract award not expected until the end of January 2020.

Although HART's Recovery Plan assumes Federal funds will be released in 2019, given the continued slippage in the schedule, and the risk this procurement represents to both cost and schedule, FTA will not release the first installment of FTA Capital Investment Grant (CIG) funding which is currently being withheld, until the cost of the procurement is identified and HART can demonstrate its financial ability to fund the contract within its existing financial plan.

FTA, therefore, requires HART to modify the financial plan to reflect this revised schedule. To minimize the impact on HART's financial costs, however, FTA proposes the following payout schedule, with larger than requested payouts in subsequent years than HART had previously requested.

FTA's Proposal	Feb 2020*	Aug 2020	Aug 2021	Aug 2022	Aug 2023	Aug 2024	Aug 2025
	\$100M	\$150M	\$150M	\$150M	\$100M	\$50M	\$44M

** Funds will be released once the cost of the City Center procurement is identified and HART demonstrates its ability to fund the contract within its existing financial plan. Future funds will be released, if satisfactory progress continues.*

Second, FTA is concerned about the proposed revisions to the provision of the City Subsidy. The September 2017 Recovery Plan identified that the City Subsidy, along with additional funds would be provided in generally stable amounts between fiscal year (FY) 2018 and FY 2031. The revised plan now provides no additional City funds until FY 2022 and then only provides a total of \$15 million between FY 2022 and FY 2026, with much larger contributions provided in FY 2026 through FY 2031. FTA finds the revised financial schedule adds risk to the ability of the project sponsor to deliver the project, as the contributions in the latter period will occur at the same time as the City must provide operating funds for the project, as well as provide additional capital funds if the GET or TAT revenues are less than anticipated. FTA, therefore, requires HART to modify the financial plan to revert to the schedule for the combined City Subsidy – Additional Funds previously outlined in the September 2017 Recovery Plan.

FTA appreciates HART's efforts in developing an improved Recovery Plan. If HART makes the required two identified modifications, and satisfactory progress on the project continues, FTA will approve the Recovery Plan and funding will be released per the schedule outlined above.

Attached is the draft Project Management Oversight Contractor report that supplements the requirements outlined in this letter with additional recommendations. As the project proceeds, HART must adhere to the actions identified in the Recovery Plan to ensure the project remains within the new revised project cost and schedule estimates.

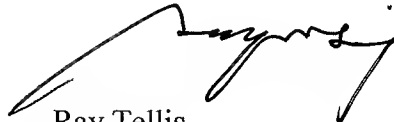
Mr. Andrew Robbins

Page 3

FTA will continue to closely monitor the progress of the City Center procurement, which is now anticipated to be awarded by the end of January 2020. As this procurement is the largest risk area related to project cost and schedule, it is important that the procurement remains on schedule.

Please contact me at (415) 734-9471 with any further questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ray Tellis', with a stylized, sweeping flourish extending from the end of the name.

Ray Tellis
Regional Administrator

Attachment

Cc: Mayor Kirk Caldwell (City and County of Honolulu)